

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
October 17, 2008

THE STATE OF TEXAS
COUNTY OF HARRIS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1

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The Board of Directors (the "Board") of Cypress Hill Municipal Utility District No.1 (the "District") met in regular session, open to the public, at the offices of Fulbright & Jaworski L.L.P. at 1301 McKinney, Houston, Texas, on October 17, 2008, at 11:00 a.m.; whereupon the roll was called of the members of the Board, to-wit:

Ronald S. Koehn, President
Robert Henry, Vice President
Angell Swedlund, Treasurer
Tim Halloran, Secretary
Jerry Bryant, Assistant Secretary

All members of the Board were present. Also attending all or portions of the meeting were Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Ms. Donna Bryant of Assessments of the Southwest, tax assessor-collector for the District; Mr. Tracy Riley of Eagle Water Management, Inc. ("Eagle Water"), operator for the District; Ms. Wendy Austin of District Data Services, Inc., bookkeeper for the District; Mr. Allen Schubert of Cymill Partners, developer of land within the District; Mr. Jimmy Pappas of Corinthian Fry Road Investors, developer of land within the District; Mr. Don Staas, District resident; and Ms. Kathleen Ellison and Ms. Yvette Deitrick of Fulbright & Jaworski L.L.P. ("F&J"), attorneys for the District.

The meeting was called to order in accordance with the notice posted pursuant to law: Chapter 551, Texas Government Code and Section 49.063, Texas Water Code (copies of certificates of posting or mailing are attached hereto as Exhibit "A"); and the following business was transacted:

1. **Minutes of the meeting of September 19, 2008.** The proposed minutes of the meeting of September 19, 2008, previously distributed to the Board, were presented for review and approval. Director Swedlund noted that the minutes should be revised to reflect the Board's decision to wait until after the hurricane recovery and the preparation of the District inventory map to obtain mowing proposals. Upon motion by Director Swedlund, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of September 19, 2008 as revised.

2. **Public Comments and letters from residents.** The President recognized Mr. Staas, who complimented the Board on having the generators at the Water Plants which

allowed the District to provide water service during and after Hurricane Ike even without electricity.

Mr. Staas reported that an opinion article in the "Houston Chronicle" stated that Iran may be working on the means to proceed with an electro-magnetic pulse attack on the United States, which would disrupt electronic signals. Mr. Staas asked the Board if it had considered whether there are any practical precautions possible for such an attack and if Homeland Security would provide a grant for such precautionary measures. Mr. Hirshman stated that Homeland Security will not provide grants to protect against such attacks until it believes it is a real threat and that is not the case currently. Mr. Hirshman stated that an elevated water storage tank could be constructed which would provide additional water storage but that the tank would provide only two days' of water supply and that electricity would be required to refill the tank. He stated that currently there are no practical measures to be taken.

Director Bryant reported on emails to the Board. He stated that there were eight emails regarding billing and disconnect issues which were forwarded to Eagle Water for management. Director Bryant reported on other emails related to the hurricane.

Director Halloran joined the meeting.

Director Bryant reported that Mr. Howard graciously emailed the Board complimenting the District's continued water and sewer service during and after Hurricane Ike. Director Bryant reported receipt of another email by Ms. Trafton regarding the District fence in need of repair due to the hurricane. Mr. Riley reported that the fence will be repaired by Tuesday and that the fence repair was delayed due to the rain.

3. **Security report and any necessary action.** The President recognized Director Henry, who reviewed with the Board the Security Report for the month of September, a copy of which is attached hereto as Exhibit "B." Director Henry reported that 184 tickets were issued in September. He stated that a new home under construction was burglarized. Director Henry reported that overall activity in the District was decreased, which may be due to the hurricane.

Director Henry reported that the Constable's Office is losing the Lakewood Forest location. He asked Mr. Schubert if some space could be allocated to the Constable's Office in the professional building to be constructed in the near future. Mr. Schubert stated that he and Mr. Hixon are amenable to providing space to the Constable's Office in the next professional building to be constructed, but he did not know when that would be. Director Henry stated that the Constable's Office would like to use 1,200 square feet. Mr. Pappas said he would check on possible space that the Constable's Office could use.

4. **Convene Public Hearing on Proposed Tax Rate for 2008.** The President convened the public hearing on the proposed tax rate for 2008. There were no comments.

5. **Adopt Order Setting Tax Rate and Levying Tax for 2008.** The President recognized Ms. Bryant, who reported that the hearing on the proposed tax rate was published on October 2, 2008. Ms. Ellison presented to and reviewed with the Board the Order

Setting Tax Rate and Levying Tax for 2008, a copy of which is attached hereto as Exhibit "C." Ms. Ellison informed the Board that this order authorizes the District to levy the tax for 2008.

Upon motion by Director Bryant, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Setting Tax Rate and Levying Tax for 2008 with a total tax rate of \$1.03 per \$100 assessed valuation, including a rate of \$0.63 for debt service, \$0.20 for contractual obligations, and \$0.20 for operation and maintenance expenses.

6. **Approve Amended District Information Form.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Amendment to Amended and Restated District Information Form, a copy of which is attached hereto as Exhibit "D." She reported that this document is recorded in the Harris County Real Property Records to provide notice to purchasers of property in the District of the current tax rate in the District.

Upon motion by Director Henry, seconded by Director Swedlund, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Amendment to Amended and Restated District Information Form and to authorize it to be filed in the Harris County Real Property Records.

7. **Developers' Report, reimbursement issues and any necessary easements.** The President recognized Mr. Pappas, who reported that 60% of the speculative space is leased. He stated that business is booming for the IHOP Restaurant and CVS Pharmacy. Mr. Pappas reported that the contractor is near completion of the detention pond at The Shoppes at Fry Road. He stated that the detention pond needs to be pumped down after the hurricane and the side slopes re-established. Mr. Pappas reported that the hurricane damage to the fence around the lift station has been repaired.

Mr. Schubert reported that Alicia's Mexican Grille opened this week. He reported that an Italian restaurant is expected to open in December. Mr. Schubert reported that Compass Bank has begun construction.

Director Henry reported that the Cypress Mill Homeowners Association has stated that the detention pond perimeter fence is the responsibility of the individual homeowner and asked if this is common. Mr. Schubert reported that it is optimal to put fencing on property owned by the homeowner association, which can maintain the fence, and that this has a dramatic effect on home values. Mr. Staas stated that the Cypress Mill Homeowners Association performed a survey and determined that the fence was on the residents' property and that it could not perform the fence repairs after the hurricane. The Board discussed whether it could assist in the fence repair. Director Bryant stated that the Cypress Mill Homeowners Association has the funds available for the fence repair but will not proceed as the fence is on the residents' property.

8. **Recreational Facilities Planning/Harris County Flood Control District Partnership and Report on Homeowners Association matters.** The President recognized Director Swedlund, who reported that the storm debris has been removed from the District property. She stated that the residents are dumping their storm debris and tree trimmings over their back fences onto the District property. Director Swedlund suggested a statement in the

Cypress Mill Homeowner Association newsletter reminding the residents not to dump debris over their back fences.

Director Swedlund reported that the mowers are currently mowing around fallen fences which are on District property. She stated that some residents are leaving the old fence on District property after installing a new fence. It was the consensus of the Board to send a letter to the residents with fences lying on District property directing them to remove the fence or be charged for the removal by the District.

Director Swedlund reported that one foot bridge was removed and that the area requires minor repair. It was the consensus of the Board to send another letter to the residents with foot bridges stating that the bridges need to be removed and if they fail to do so, the District will charge the resident for the cost of removal. Director Swedlund reported that there are some low lying areas around the Cypress Mill Estates detention pond. Mr. Hirshman stated that there is no back slope swale on the south side of that detention pond. He stated that back slopes have to be re-dug every five to ten years.

Director Swedlund reported that there are two dead trees at the Cypress Mill Estates detention pond and asked the Board if she should bring each landscaping repair issue to the Board before proceeding with the repair. It was the consensus of the Board that Director Swedlund should proceed with repairs without waiting on Board approval.

Director Swedlund asked the Board about mulching around the trees the trees at the detention ponds. It was the consensus of the Board to maintain a good appearance at the detention ponds.

9. **Mowing proposals for detention ponds tops.** This item was deferred.

10. **Tax Assessor-Collector's Report and payment of bills.** The President recognized Ms. Bryant, who presented to and reviewed with the Board the Tax Assessor-Collector's Report, a copy of which is attached hereto as Exhibit "E." Ms. Bryant noted that 98% of the District's 2007 taxes had been collected as of September 30, 2008.

Ms. Bryant provided the Delinquent Tax Report by Perdue, Brandon, Fielder, Collins & Mott, L.L.P., a copy of which is attached hereto as Exhibit "F."

Upon motion by Director Bryant, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax-Assessor-Collector's Report, to authorize the expenditures listed therein, and to approve the Delinquent Tax Report.

11. **Bookkeeper's Report, Review Investment Report and payment of bills.** The President recognized Ms. Austin, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "G." Ms. Austin stated that expenses were high this month due to the third quarter payment to the North Harris County Regional Water Authority.

Upon motion by Director Henry, seconded by Director Swedlund, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report and to authorize payment of the checks listed therein.

12. **Procedures and Guidelines Regarding Post-Issuance Compliance with Federal Tax Requirements Applicable to Tax Exempt Bonds.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Procedures and Guidelines Regarding Post-Issuance Compliance with Federal Tax Requirements Applicable to Tax-Exempt Bonds ("Guidelines"), a copy of which is attached hereto as Exhibit "H." Ms. Ellison stated that the Internal Revenue Service is providing questionnaires to governmental entities which ask if there are procedures for compliance with federal tax requirements. She stated that these Guidelines document the procedures the District already has in place to achieve compliance with federal tax requirements. Upon motion by Director Swedlund, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Guidelines.

13. **Engineer's Report and any necessary action regarding construction projects, detention pond maintenance and reimbursement expenses.** The President recognized Mr. Hirshman, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "I." Mr. Hirshman recommended approval of the Pay Estimate from Storm Water Solutions in the amount of \$8,960.00 for the rehabilitation of the Cypress Mill Park detention pond.

Mr. Hirshman recommended approval of Pay Estimate No. 8 to Bay Utilities, L.L.C. in the amount of \$38,175.05 for the water, sanitary sewer, drainage and miscellaneous drainage features for Cypress Landing Park, Section One, which is to be paid by Kimball Hill Homes.

Mr. Hirshman reported that Kimball Hill Homes is requesting the District assume ownership and maintain the detention pond in Cypress Landing Park. He stated that DEC will inspect the detention pond before recommending the District take ownership.

Mr. Hirshman reported that DEC is designing a generator for the wastewater treatment plant for power outages and that the plans will be submitted for approval within thirty days.

Mr. Hirshman reported that DEC is preparing the map detailing ownership of all the reserves in the District and a map showing the areas the District mows and which contractor currently mows them.

Upon motion by Director Bryant, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report; to approve payment of the Pay Estimate from Storm Water Solutions in the amount of \$8,960.00 for the rehabilitation of the Cypress Mill Park detention pond; and to approve payment by Kimball Hill Homes of Pay Estimate No. 8 to Bay Utilities, L.L.C. in the amount of \$38,175.05 for the water, sanitary sewer, drainage and miscellaneous drainage features for Cypress Landing Park, Section One.

14. **Report on District Property Inventory.** This item was covered under the Engineer's Report.

15. **Operator's Report, authorization of maintenance and hearing on delinquent accounts.** The President recognized Mr. Riley, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "J." Mr. Riley reported that repair of the fences at the Water Plant and Wastewater Treatment Plant is imminent. He stated that the fence by the park is made with hardiplank, so that repair will cost more. Mr. Riley reported that an insurance claim has been filed and the insurance adjuster has an appointment to view the damage.

Mr. Riley reported that there were no excursions.

Mr. Riley reported that water was terminated for 84 customers last month.

Mr. Riley reported that the Water Plant No. 2 controls monitor and programming are not working properly. He reviewed with the Board the NTS proposal for repair in the amount of \$8,570.00, included in the Operations Report. Director Bryant asked if this repair would impact the anti-reverse mechanism on the water well. Mr. Riley stated that there will be a time delay and that he would make a note to assure the time delay is there.

Mr. Riley stated that during heavy rain events the bar screen is filling up and overflowing at the wastewater treatment plant because Lift Station No. 1 is pumping too much. He stated that the problem is still being researched. The President noted that after a power outage, all the lift stations will begin pumping to the wastewater treatment plant when electricity comes back on. He stated that delays need to be set up to prevent all the lift stations pumping at one time to the wastewater treatment plant. Mr. Riley stated that he will have the delays created and he will further research the pumping at Lift Station No. 1.

Upon motion by Director Bryant, seconded by Director Swedlund, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report and to terminate the delinquent accounts in accordance with the Rate Order.

16. **Consider need for insurance proposals.** The Board was provided the Aquasurance renewal proposal. Ms. Deitrick reported that Aquasurance asked whether the District owned a park and park equipment as that is not currently in the proposal. The President stated that the District does own the park in Cypress Mill Park, Section Five. The Board deferred action on the insurance proposal until the park could be added. Director Swedlund noted that the newly constructed gazebo is on District property as well.


17. **Other matters.** No other matters were discussed.

18. **Next Meeting Date.** The Board noted that the next regular monthly Board meeting will be held on November 21, 2008, at 11:00 a.m. at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The attached and foregoing minutes were passed and approved by the Board of Directors on November 21, 2008.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

